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SUBJECT: NATIONAL ENERGY CONFERENCE LEANS TOWARD NUCLEAR
ENERGY

REF: A. 07 TAIPEI 01757

[1](#)B. 08 TAIPEI 00533

[1](#)C. 08 TAIPEI 00853

[1](#)D. 09 TAIPEI 0095

[1](#)1. (SBU) SUMMARY. Taiwan's April 15-16 third National Energy Conference ended with an informal consensus on what direction energy policy will take in the next decade. President Ma Ying-jeou and Premier Liu Chao-shiuan both pledged to guide the island toward becoming a "low carbon homeland" by emphasizing renewable energy, energy efficiency, and nuclear power. Nobel laureate Lee Yuan-tse also endorsed nuclear power as an interim solution until viable sources of renewable energy are found. Environmentalists and NGOs at the Conference mostly opposed further nuclear energy development on grounds that Taiwan does not have ideal conditions for such development. The final Conference document included recommendations for deregulation of energy prices, promotion of renewable energy and green industry, transparency in oversight mechanisms, and passage of the Renewable Energy Development Act, Energy Tax, and Greenhouse Gas Reduction acts. Although there was no specific endorsement of nuclear energy, an informal consensus prevailed that nuclear energy is the only viable interim solution for achieving Taiwan's energy policy goals. END SUMMARY.

NUCLEAR AS INTERIM SOLUTION

[1](#)2. (SBU) Substantial representation from the Atomic Energy Council (AEC) and Academia Sinica expert Dr. Lee Yuan-tse's strong endorsement of nuclear power set the tone for the opening of Taiwan's first National Energy Conference since 2005. Lee said that from the standpoint of reducing CO2 emissions, nuclear energy offers the best hope, but cautioned about the challenges of nuclear waste treatment in a small place such as Taiwan. In fact, Taiwan plans to re-license the existing three operating nuclear plants for an additional 40 years of operation. Minister of Economic Affairs Yiin Chi-ming said that due to safety concerns, the 4th nuclear power plant will not be able to start operation until 2012. During his remarks, President Ma pledged to pass the Renewable Energy Development Act during the current session of the Legislative Yuan, where the Act has been pending for six years. He also said that promotion of energy conservation and clean energy are the two main goals for the future. On reducing carbon emissions, the President reaffirmed the existing goal of reducing emissions to 2008 levels by 2020, and to half of 2000 levels by 2050. Ma also said all major public infrastructure projects will incorporate an environmental impact component. He pledged to plant 60,000 hectares of trees, with forest parks planned for Chiayi, Pingtung and Hualien in southern and eastern Taiwan.

DEREGULATE ENERGY PRICES, IMPOSE ENERGY TAX

13. (SBU) The Conference reached consensus on the need for energy prices to reflect global market costs. As some analysts observed, deregulation will lead to higher energy costs. There was widespread speculation about how much the authorities will allow energy costs to rise in the face of the global economic crisis, including worsening unemployment and economic growth in Taiwan. The authorities, are deregulating energy prices to spur conservation and encourage industry focus on carbon reduction strategies and alternative energy development. Industry, however, has been slow to accept carbon-reduction strategies such as clean coal technology due to concerns about high costs, complicated maintenance, and unproven effectiveness. There was consensus for privatizing Taiwan's oil, electricity and gas companies to promote fair pricing and increase efficiency. The strongest advocacy for energy efficiency came from Michael Nobel, a descendant of the family that established the Nobel Prize. Nobel also advocated using tax incentives to save energy and promote the development of solar and hydrogen technology. The Ministry of Finance is working on a draft energy tax bill, which is slated to be submitted to the Executive Yuan for review in October before it is sent to the Legislative Yuan for approval.

ONLY DPP LEGISLATOR ACTIVE IN DISCUSSIONS

14. (SBU) While there was consensus on the need to develop alternative energy, participation from LY members was notably lacking for such an important conference. Only a few LY members were present at all sessions, notably DPP legislator Tien Chiu-chin, who fought any attempt at citing nuclear energy as a clean technology, as well as designation of nuclear energy as an interim energy before renewable energy is fully developed. Tien questioned the safety of nuclear plants given that Taiwan is prone to periodic earthquakes and has very limited land available on which to build nuclear plants and deposit nuclear wastes. KMT legislator Ting Shou-chung, however, emphasized that Taiwan only has a 7.7-day liquid natural gas reserve, and needs a steady source of energy. The conference chair and panelists finally gave in to the demands of anti-nuclear advocates, and agreed to postpone a final decision on the future of nuclear power in Taiwan. At the end of the conference, Premier Liu reiterated his commitment to nuclear energy by pledging to inform the public about nuclear waste treatment, and to foster public involvement in nuclear oversight institutions.

SOLAR INVESTOR CRIES FOUL

15. (SBU) Two days before the Conference started, German-owned solar energy company Infravest CEO Karl-Eugen Feifel held a news conference at which he blasted Taiwan's lack of commitment to passing the Renewable Energy Development Act. Feifel threatened to pull his company out of Taiwan if prompt action was not taken. Infravest has a 41% stake in Taiwan's solar market, and has installed windmills all along the west coast of Taiwan. Feifel said the state-owned Taipower utility pays only NT\$ 2.00 (about USD 0.06) per kilowatt-hour of windmill-generated electricity, compared with NT\$ 2.7 (about USD 0.08) per kw/hr for coal-fired plants and NT\$ 4.00 (about USD 0.12) for natural gas plants. Taiwan energy experts tell us that in reality, Infravest obtained choice locations for its windmills, and due to the high efficiency of its windmills, the NT 2.00 per kilowatt-hour paid by Taipower is quite reasonable. In fact, they asserted that Infravest's problems stem more from its inability to get German bank

loans during the current credit crunch, rather than from the alleged low rates Taipower is paying for Infravest's wind-mill generated electricity.

LOW CARBON HOMELAND VS. NON-NUCLEAR HOMELAND?

¶16. (SBU) The Conference leadership, headed by MOEA Minister Yiin, originally tabled a proposal for reconsidering Taiwan's "non-nuclear homeland" policy and "using nuclear energy for the interim." These plans were dropped after heated discussion and objections from anti-nuclear groups. Compromise language for a "low carbon homeland" was adopted instead. Premier Liu said this new goal will mark the beginning of a low-carbon power grid, including more sophisticated energy-use measuring devices, and will encourage the development of green industry. However, given the persistence of anti-nuclear interests, dropping the "non-nuclear homeland" policy, which became part of the Environmental Basic Law in 2002, will likely face a heated battle in the LY. Policymakers may therefore skirt the issue altogether. Privately, AEC experts told us that the ultimate fate of the non-nuclear homeland law is unlikely to affect the future course of nuclear energy development in Taiwan, since the existing three nuclear power plants are slated to extend operation and the fourth nuclear power plant is on track to start operating in 2012.

FULL BACKING FOR GREEN ENERGY

¶17. (SBU) Just one week after the conclusion of the energy conference, the Executive Yuan approved an ambitious project to pump NT\$ 25 billion (USD 757 million) over the next 5 years to develop renewable energy and to subsidize the cost of installing energy-saving devices, as proposed by the MOEA. It will also fund the research and development of green

energy technologies to the tune of NT\$20 billion (USD 606 million) in hopes of attracting up to NT 200 billion (USD 6 billion) in private investment in the industry. It is hoped that private investment will help create 110,000 jobs in the renewable energy sector by 2015. Long term goals are for Taiwan to become the world's largest supplier of LED modules, a top manufacturer of solar cells and a major producer of electric vehicles in Asia.

TAIWAN IS AN ISLAND AFTER ALL

¶18. (SBU) COMMENT. The National Energy Conference succeeded in reaffirming the authorities' commitment to enact the Renewable Energy Development Act, to seriously fund renewable energy, to push for renewable energy, and to deregulate the energy sector. However, the authorities have neglected to provide a timetable for passage of other pending energy legislation, including the Greenhouse Gas Reduction Act, the Energy Management Law, and the Sustainable Energy Basic Law. The strong anti-nuclear stance taken by many NGOs cannot change the fact of Taiwan's heavy reliance on imported energy (99.3 percent) and the long lead-time needed to bring renewable energy sources on-line. As a commentator noted at the conference, Taiwan cannot latch on to another country's power grid in an emergency since it is an island with a self-contained power grid. Given the island's reliance on imported energy, Taiwan energy planners do not have the luxury of dreaming about renewable energy as a short-term solution for Taiwan's energy needs. As the only energy source that offers both low carbon emissions and a steady supply of power for Taiwan in the coming decade, nuclear energy looks increasingly attractive to many Taiwan policymakers and energy experts.
END COMMENT.

YOUNG